

1. Details of Module and its structure

Module Detail	
Subject Name	Accountancy
Course Name	Accountancy 01 (Class XI, Semester - 1)
Module Name/Title	Special Purpose Books: Purchases book, Sales book, Purchases Return book, Sales Return book, Journal Proper – Part 6
Module Id	keac_10306
Pre-requisites	Basic knowledge of Accounting Process, Cash book, Journal
Objectives	After going through this lesson, the learners will be able to understand the following: <ul style="list-style-type: none">• Types of Special purpose Books• Recording of transactions in various Subsidiary Books
Keywords	Special purpose books, Subsidiary books, Purchases book, Sales Book, Purchases Return books, Sales returns book, Journal proper

2. Development Team

Role	Name	Affiliation
National MOOC Coordinator (NMC)	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Mohd. Mamur Ali	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Prof. Shipra Vaidya	DESS, NCERT, New Delhi
Subject Matter Expert (SME)	Dr. Sunil Kumar Arora	Sarvodaya Vidyalaya, Sector 3, Rohini (Directorate of Education, Govt. of NCT of Delhi) Delhi
Review Team	Prof. Mukesh Jain	Zakir Hussain College, Delhi

1. Introduction

Due to voluminous data emerged from varied business transactions, the journal is subdivided into a number of books of original entry called subsidiary books. These are:

- (a) Journal Proper
- (b) Cash Book
- (c) Other day books
 - (i) Purchase (Journal) Book
 - (ii) Sales (journal) Book
 - (iii) Purchases Returns (Journal) Book or Returns Outwards Book
 - (iv) Sales Returns (Journal) Book or Returns Inwards Book
 - (v) Bills Receivable (Journal) Book
 - (vi) Bills Payable (Journal) Book

In this module we will deal only with Purchases Book, Sales Book, Purchases Return Book, Sales Return Book.

Purchases (Journal) Book

All credit purchases of goods and services are recorded in the purchases journal where as cash purchases are recorded in the cash book. Other purchases such as purchases of office equipment, furniture, building, are recorded in the *journal* proper if purchased on credit and in the cash book if purchased for cash. The source documents for recording entries in the book are invoices or bills received by the firm from the supplies of the goods. Entries are made with the net amount of the invoice. Trade discount and other details of the invoice need not be recorded in this book. The format of the purchases journal is shown in figure.

Purchases (Journal) Book

Date	Name of Supplier	Invoice No.	L.F.	Amount (₹)

The monthly total of the purchases book is posted to the debit of purchases account in the ledger. Individual supplier's accounts may be posted daily.

Consider the following details obtained from M/s. Kanika Traders and observe how the entries are recorded in the purchase journal.

Date 2014	Details
Aug. 04	Purchased from M/s Neema Electronics (invoice no. 3250): 20 Mini-size T.V. @ Rs.2,000 per piece, 15 Tape recorders @ Rs. 12,500 per piece. Trade discount on all items @ 20%.
Aug. 10	Bought from M/s Pawan Electronics (invoice no. 8260): 10 Video cassettes @Rs. 150 per piece, 20 Tape recorders @ Rs. 1,650 per piece. Trade discount @ 10% on purchases.
Aug. 18	Purchased from M/s. Northern Electronics (invoice no. 4256): 15 Northern stereos @ Rs. 4,000 per piece, 20 Northern colour T.V. @ Rs. 14,500 per piece.
Aug. 26	Purchased from M/s Neema Electronics (Invoice No. 3294): 10 Mini-size T.V. @ Rs. 1,000 per piece, 5 Colour T.V. @ Rs. 12,500 per piece. Trade discount @ 20%.
Aug. 29	Bought from M/s Pawan Electronics: (Invoice No. 8281) 20 Video cassettes @ Rs. 150 per piece 25 Tape recorders @ Rs. 1,600 per piece. Trade discount @ 10% on purchases.

Books of Kanika Traders

Purchases (Journal) Book

Date 2016	Name of Suppliers	Invoice No.	L.F.	Amount (₹)
Aug.04	Neema Electronics	3250		1,82,000
Aug.10	Pawan Electronics	8260		31,050
Aug.18	Northern Electronics	4256		3,06,250
Aug.26	Neema Electronics	3294		54,000
Aug.29	Pawan Electronics	8281		38,700
Aug.31				6,12,000

Purchases Return (Journal) Book

In this book, purchases returns of goods are recorded. Sometimes goods purchased are returned to the supplier for various reasons such as the goods are not of the required quality, or are defective, etc. For every return, a debit note (in duplicate) is prepared and the original one is sent to the supplier for making necessary entries in his book. The supplier may also prepare a note, which is called the credit note. The source document for recording entries in the purchases return journal is generally a debit note. A debit note will contain the name of the party (to whom the goods have been returned) details of the goods returned and the reason

for returning the goods. Each debit note is serially numbered and dated. The format of the purchases return journal is shown in figure below.

Purchases Returns (Journal) Book

Date	Name of Supplier	Debit No.	L.F.	Amount (₹)

Debit and Credit Notes

A *Debit note* is a document evidencing a debit to be raised against a party for reasons other than sale on credit. On finding that goods supplied are not as per the terms of the order placed, the defective goods are returned to the supplier of the goods and a note is prepared to debit the supplier; or when an additional sum is recoverable from a customer such a note is prepared to debit the customer with the additional dues. In these two situations the note is called a debit note.

Name of the Firm Issuing the Note
Address of the Firm
 No. *Date of Issue*

DEBIT NOTE
 Against : Supplier's Name
 Goods returned as per delivery Amount (Rs)
 Challan No.
 (Details of goods returned)
 (Rupeesonly)
 Signature of the Manager with date

A *Credit note* is prepared, when a party is to be given a credit for reasons other than credit purchase. It is a common practice to make it in red ink. When goods are received back from a customer, a credit note should be sent to him. The suggested proforma of credit note is shown in figure below:

Name of the Firm Issuing the Note

Address of the Firm

No. Date of Issue

CREDIT NOTE

Against : Customer's Name Amount (Rs)

Challan No.

(Details of goods returned by the Customer)

(Rupeesonly)

Signature of the Manager with date

Refer to the purchases (journal) book of Kanika Traders you will notice that 20 mini size T.V.'s and 15 tape- recorders were bought from Neema Electronics for Rs. 1,82,000 However, on delivery 2 mini T.V.'s and tape recorders were found defective and were returned back vide debit note no. 03/2016. In this case, the purchases return books will be prepared as follows :

Purchases Returns (Journal) Book

Date	Name of Supplier	Debit No.	L.F.	Amount
2016 Aug. 06	Neema Electronics	03/2016		13,200
				13,200

Sales (Journal) Book

All credit sales of merchandise are recorded in the sales journal. Cash sales are recorded in the cash book. The format of the sales journal is similar to that of the purchases journal explained earlier. The source document for recording entries in the sales journal are sales invoice or bill issued by the firm to the customers. The date of sale, invoice number, name of the customer and amount of the invoice are recorded in the sales journal. Other details about the sales transaction including terms of payment are available in the invoice. In fact, two or more than two copies of a sales invoice are prepared for each sale. The bookkeeper makes entries in the sales journal from one copy of the sales invoice. The format of the sales journal is shown in figure 4.8. In the sales journal, one additional column may be added to record sales tax recovered from the customer and to be paid to the government within the stipulated time. Periodically, at the end of each month the amount column is total led and posted to the

credit of sales account in the ledger. Posting to the debit side of individual customer's accounts may be made daily.

Sales (Journal) Book

Date	Name of Customers	Debit No.	L.F.	Amount (₹)

For example M/s Koina Supplies sold on credit:

- (i) Two water purifiers @ Rs. 2,100 each and five buckets @ Rs 130 each to M/s Raman Traders (Invoice no. 178 dated April 06, 2016).
- (ii) Five road side containers @ Rs 4,200 each to M/s Nutan enterprises (Invoice no 180 dated April 09, 2016) .
- (iii) 100 big buckets @ Rs 850 each to M/s Raman traders (Invoice no. 209 dated April 28, 2016).

The above stated transactions will be entered in a sales journal as follows:

Sales (Journal) Book

Date 2016	Name of Customers	Invoice No.	L.F.	Amount (₹)
Apr. 06	Raman Traders	178		4,850
Apr. 09	Nutan Enterprises	180		21,000
Apr. 28	Raman Traders	209		85,000
Apr. 30				1,10,850

Sales Return (Journal) Book

This journal is used to record return of goods by customers to them on credit. On receipt of goods from the customer, a credit note is prepared, like the debit note referred to earlier. The difference between the credit not and the debit note is that the former is prepared by the seller and the latter is prepared by the buyer. Like the debit note, the credit note is also prepared in duplicate and contains detail relating to the name of the customer, details of the merchandise received back and the amount. Each credit note is serially numbered and dated. The source document for recording entries in the sales return book is generally the credit note. The format of the sales return book is shown in figure below:

Sales Returns (Journal) Book

Date	Name of Customers	Credit No.	L.F.	Amount

Refer to the sales (journal) book of Koina Supplier of you will find that two water purifiers were sold to Raman Traders for Rs 2,100 each, out of which one purifier was returned back due to the manufacturing defect (credit note no. 10/2016). In this case, the sales return (Journal) book will be prepared as follows :

Sales Returns (Journal) Book

Date	Name of Customers	Credit No.	L.F.	Amount (₹)
2016				
Apr. 10	Raman Traders	10/2016		2,100
				2,100

Journal Proper

A book maintained to record transactions, which do not find place in special journals, is known as Journal Proper or Journal Residual. Following transactions are recorded in this journal:

- 1. Opening Entry:* In order to open new set of books in the beginning of new accounting year and record therein opening balances of assets, liabilities and capital, the opening entry is made in the journal.
- 2. Adjustment Entries:* In order to update ledger account on accrual basis, such entries are made at the end of the accounting period. Such as Rent outstanding, Prepaid insurance, Depreciation and Commission received in advance.
- 3. Rectification entries:* To rectify errors in recording transactions in the books of original entry and their posting to ledger accounts this journal is used.
- 4. Transfer entries:* Drawing account is transferred to capital account at the end of the accounting year. Expenses accounts and revenue accounts which are not balanced at the time of balancing are opened to record specific transactions. Accounts relating to operation of business such as Sales, Purchases, Opening Stock, Income, Gains and Expenses, etc. and drawing are closed at the end of the year and their Total/balances are transferred to Trading and Profit and Loss account by recording the journal entries. These are *also* called *closing entries*.

5. *Other entries*: In addition to the above mentioned entries in the points number 1 to 4, recording of the following transaction is done in the journal proper :

- a. At the time of a dishonour of a cheque the entry for cancellation for discount received or discount allowed earlier.
- b. Purchase/sale of items on credit other than goods.
- c. Goods withdrawn by the owner for personal use.
- d. Goods distributed as samples for sales promotion.
- e. Endorsement and dishonour of bills of exchange.
- f. Transaction in respect of consignment and joint venture, etc.
- g. Loss of goods by fire/theft/spoilage.

Comprehensive Illustration

Date	Details
2014	
Apr. 01	Commenced business with cash Rs. 1,00,000
Apr. 02	Deposited in bank Rs. 40,000
Apr. 02	Purchased for cash furniture Rs. 6,000; Land Rs. 42,000
Apr. 03	Paid cheque to M/s Malika & Brothers for purchase of electric wires and plugs Rs. 17,000
Apr. 04	Bought of M/s Handa Co. vide invoice no. 544: (i) 28 Immersion Heaters 1,000 Watt of Smg. Ltd. @ Rs. 50, and (ii) 40 Tube lights @ Rs.35. trade discount @ 12.5%
Apr. 04	Purchased stationery for cash Rs. 2,300
Apr. 05	Loan from M/s Dayal Traders. @ 6% Rs. 25,000 and deposited money in the bank on the next day
Apr. 05	Paid cartage Rs. 80 and other charges Rs. 20
Apr. 06	Bought of M/s Burari. Ltd. on account vide Invoice No. 125: (i) 50 Table lamps (Universal) @ Rs. 80 (ii) 20 Electric kettles (General) @ Rs. 125 (iii) 5 Electric iron @ Rs. 300. trade discount 20%
Apr. 07	Sales to M/s Ramneek on account vide invoice no. 871: (i) 10 Immersion heaters 1000 watt @ Rs. 60. (ii) 5 Table lamps @ Rs. 100: (iii) 2 Electric irons @ 320.
Apr. 08	Sales to M/s Kapadia on credit vide invoice no. 880: (i) 15 Immersion heaters @ 60 (ii) 15 Tube lights @ Rs. 38
Apr. 10	Return inwards from Ramneek :

	(i) 2 Immersion heaters,
	(ii) 1 Electric iron.
	Apr. 11 .
	Apr. 11 .
	Apr. 12 .
Apr. 11	Paid rent by cheque Rs. 4,000
Apr. 11	Purchased from M/s Rungta. for cash :
	(i) 5 Immersion heaters 1000 watt @ Rs. 45
Apr. 12	Returned goods to Burari Ltd. :
	(i) 3 Table lamps (Universal)
	(ii) 2 Electric kettles
	(iii) 1 Electric iron
Apr. 15	Purchased on account furniture from quality Furniture Ltd. Rs. 8,000.
Apr. 16	Paid for advertisement Rs. 1,200
Apr. 18	Sales to M/s Daman on account vide invoice no. 902:
	(i) 10 Electric kettles (General) @ Rs. 130
Apr. 19	Purchased from M/s Kochhar Co. on credit vide invoice no.205:
	(i) 25 Electric Mixers @ Rs. 600.
	(ii) 40 Electric irons (Special) @ Rs. 540. trade discount 20%
Apr. 20	Sales to M/s Ramneek on account vide bill no.925: 4 Electric Mixers @ Rs. 600
Apr. 21	Received cheque of Rs.3,700 from M/s Ramneek for full and final settlement of claim. The cheque deposited in bank after two days.
Apr. 21	Purchased from M/s Burari Ltd. on credit vide invoice no.157:
	(i) 10 Electric kettles @ Rs. 125
	(ii) 20 Electric lamps @ Rs. 80 trade discount @ 20%.
Apr. 23	Sales to M/s Nutan on account vide invoice no.958:
	(i) 2 Electric Mixers @ Rs. 600
Apr. 23	Cash sales of Electric wires and plugs Rs. 14,500, cash discount allowed Rs. 200
Apr. 24	Cash purchases from M/s Hitesh:
	(i) 5 Electric fans @ Rs. 740
Apr. 25	Paid electricity bill Rs. 1,320
Apr. 25	Made full and final payment to M/s Burari Ltd. by cheque discount allowed by them Rs. 320
Apr. 26	Purchased stationery on account from M/s Mohit Mart Rs. 3,200
Apr. 27	Sales to M/s Daman on account vide Invoice No. 981:
	(i) 15 Table lamps @ Rs. 100
	(ii) 10 Immersion heaters 1000 watt @ Rs. 80
Apr. 28	Deposited in bank Rs. 5,000

Apr. 30	Withdrew Rs. 8,000 for personal use
Apr. 30	Paid telephone bill Rs. 2700 by cheque
Apr. 30	Paid insurance Rs. 1,600 by cheque
Apr. 30	Paid to M/s Handa Co. Rs. 2,450 by cheque; and Rs. 28,000 to M/s Kochharand co. by cheque who allowed Rs. 1,280 as discount.

Purchases (Journal) Book

Date 2016	Name of Suppliers	Invoice No.	L.F.	Amount (₹)
Apr. 04	Handa Co.	544		2,450
Apr. 06	Burari Ltd.	125		6,400
Apr. 19	Kochhar Co.	205		29,280
Apr. 21	Burari Ltd.	157		2,280
Apr. 30				40,410

Sales (Journal) Book

Date 2016	Name of Customers	Invoice No.	L.F.	Amount (₹)
Apr. 07	Apr. 07 871 Ramneek	871		1,740
Apr. 08	Apr. 08 880 Kapadia	880		1,470
Apr. 18	Apr. 18 902 Daman	902		1,300
Apr. 20	Apr. 20 925 Ramneek	925		2,400
Apr. 23	Apr. 23 958 Nutan	958		1,200
Apr. 27	Apr. 27 981 Daman	981		2,300
Apr. 30				10,410

Purchases Returns (Journal) Book

Date 2016	Name of Supplier	Debit No.	L.F.	Amount (₹)
Apr. 12	Burari Ltd.	102		632
Apr. 30				632

Sales Returns (Journal) Book

Date 2016	Name of Customers	Credit No.	L.F.	Amount (₹)
Apr. 10	Ramneek	10/2016		440

Apr. 30			440
---------	--	--	-----

Journal Proper

Date 2016	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Apr. 15	Furniture A/c Dr. To Quality Furniture A/c (Purchase of furniture on credit)		8,000	8,000
Apr. 25	Burari Ltd A/c Dr. To Discount A/c (Discount received)		320	
Apr. 26	Stationery A/c Dr. To Mohit Mart A/c (Purchase of Stationery items on credit)		3,200	320
Apr. 30	Kochhar A/c Dr. To Discount A/c (Discount received)			3,200
Apr. 30	Total		1,280	1,280
			12,800	12,800

Dr.

Cash Book

Cr.

Date 2016	Particulars	LF	Cash (₹)	Bank (₹)	Date 2016	Particulars	LF	Cash (₹)	Bank (₹)
Apr. 01	To Capital		1,00,000		Apr. 02	Bank	C	40,000	
Apr. 02	To Cash	C			Apr. 02	Furniture		6,000	
Apr. 05	To 6% Loan			40,000	Apr. 02	Land		42,000	
Apr. 06	To Cash	C			Apr. 03	Purchases			17,000
Apr. 21	To Ramneek		25,000		Apr. 04	Stationery		2,300	
Apr. 23	To Cash	C		25,000	Apr. 05	Mis. Exp.		100	
Apr. 23	To Sales		3,700		Apr. 06	Bank	C	25,000	
Apr. 28	To Cash	C			Apr. 11	Rent			4,000
				3,700	Apr. 11	Purchases		225	

			14,500		Apr. 16	Advertisement		1,200	
				5,000	Apr. 23	Bank	C	3,700	
					Apr. 24	Purchases		3,700	
					Apr. 25	Elec. Charges		1,320	
					Apr. 25	Burari Ltd.			7,728
					Apr. 28	Bank	C	5,000	
					Apr. 30	Drawings		8,000	
					Apr. 30	Tele. Charges			2,700
					Apr. 30	Insurance			1,600
					Apr. 30	Handa Ltd.			2,450
					Apr. 30	Kochhar & Co			28,000
					Apr. 30	Balance c/d		4,655	10,222
			1,43,200	73,700				1,43,200	73,700
May 01	To Bal b/d		4,655	10,222					

Summary

- i. *Journal* is called a book of original entry.
- ii. All credit purchases of goods are recorded in the purchases journal whereas cash purchases are recorded in the cash book.
- iii. Return of goods purchased are recorded in purchases return book A *Debit note* is a document evidencing a debit to be raised against a party for reasons other than sale on credit.
- iv. A *Credit note* is prepared, when a party is to be given a credit for reasons other than credit purchase.
- v. All credit sales of merchandise are recorded in the sales journal.
- vi. Sales return (Journal) book is used to record return of goods by customers sold to them on credit.
- vii. Journal proper is a book maintained to record transactions, which do not find place in special journals.